

City of Bozeman
Affordable Housing Action Plan: 2012-2016

Discussion Draft, April 12, 2012

By

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Part 1: Overview and Background

Executive Summary

During the recent recession, home prices and rents became more available and affordable, although rental housing has since become somewhat more expensive and harder to find. A decline in the number of people employed reduced incomes and demand for housing. But at the same time, losses of income made housing harder to afford for some Bozeman residents.

According to the 2010 census, the number of Bozeman households paying over 30% of their incomes for housing increased substantially during the 2000s. Over 6,000 households—28% of homeowners and 49% of renters—were living in unaffordable housing, measuring by that widely accepted 30%-of-income benchmark. The numbers of homeless people and special populations needing affordable housing also increased in recent years.

This affordable housing action plan endorses four major strategies to be carried out over the next five years:

Increase and preserve the supply of affordable housing. The goals of this plan include building 240 affordable rental units. A more tentative goal is set for construction of subsidized homes for sale – only 28 homes—and that number to be built only if the market strengthens. To help strengthen the for-sale home market, the plan calls for providing down payment assistance to 100 low- and moderate-income buyers of modestly priced existing and new homes. The plan also calls for helping 125 low-income Bozeman homeowners repair their homes, and weatherizing 350 homes and rental units in the tri-county area. Bozeman’s first-ever green building guidelines for affordable housing are included in this plan.

Consider amendments to City regulations. This plan endorses a continued suspension of the City’s Workforce Housing Ordinance, but sets out criteria for considering reinstatement of the ordinance when the for-sale housing market strengthens. The plan also calls for consideration of other regulatory changes: (1) deferring or subsidizing impact fees for affordable housing, (2) allowing the creation of smaller lots with narrower frontage, (3) re-platting of existing subdivisions that have requirements that builders consider burdensome, (4) reviewing current ordinances regulating accessory dwellings, (5) clarifying the zoning status of group homes and (6) studying possible ordinance changes to encourage preservation of mobile home parks.

Assure financial and organizational capacity. To carry out the goals of this plan, local nonprofit housing organizations will need to access a substantial amount of currently-available federal funds managed by the State of Montana. The federal Low-Income Housing Tax Credits are a major resource for building affordable rental housing but have not been used in Bozeman for seven years; a goal was set to

encourage the development of 200 rental units using this program, as well as funding from other sources to build 40 affordable apartments for seniors. Another goal is to maximize the effectiveness of the City's Workforce Housing Fund, by establishing new requirements and priorities for distributing funding. The plan also calls for an increased effort to provide technical assistance to nonprofit housing organizations in Bozeman, to increase their capacity.

Share crucial market data and report on progress. Lastly, to better assure that the plan is successfully implemented, several other goals are established: (1) following new, definitive protocols for updating targets for affordable home prices and rents, (2) implementing, if feasible, an annual rental market survey to better inform developers and nonprofits about demand, and (3) publishing an annual report on progress versus the goals of the action plan.

Guiding Principles for This Affordable Housing Plan

The housing element of Bozeman's Community Plan, adopted in 2009, declared certain principles that broadly define what is meant by affordable housing, why it is important, and what kinds of actions should be taken, as follows.

- All residents should have access to decent and affordable housing.
- Successful delivery of affordable housing should not be measured only by sale prices and rents, but its performance in terms of minimizing energy use and maintenance costs.
- There is no single home price or rent benchmark that defines "affordable" housing." Affordability for residents of various incomes levels should be based on ability to pay, since affordability is a function of both housing costs and income.
- The solutions to providing affordable housing should involve using diverse approaches and mechanisms.
- Availability of housing for residents of all income levels is essential for attracting and retaining the employers that provide the jobs that are essential to the community's prosperity.

These continue to be sound, comprehensive principles to guide the community's affordable housing initiatives and the goals of this Affordable Housing Action Plan. For purposes of this plan, affordable rental housing is defined as having rents not exceeding 30% of household income, and affordability for homeowners is a housing payment not exceeding 33% of household income. The affordable housing activities proposed in this plan are intended to serve residents who, without interventions, pay more than that, are homeless, or at risk of being homeless.

Housing Needs and Market Conditions

An Affordable Housing Needs Assessment was conducted for the City of Bozeman and published March 6, 2012. The study's findings about housing needs and market conditions form the basis for this plan. Following are key excerpts. Go to this web page to download the complete report.

[http://www.bozeman.net/Departments-\(1\)/Planning/Reports-and-Documents.aspx](http://www.bozeman.net/Departments-(1)/Planning/Reports-and-Documents.aspx)

Economic conditions. Bozeman experienced exceptionally rapid growth in employment, households and its housing stock during the first decade of the 2000s, even considering a serious economic decline that began in 2007. The number of Bozeman residents at work declined from 2007-2010 but stabilized in 2011, although the local unemployment rate was still near its 10-year peak in January, 2012. Reduced employment tends to reduce demand and housing costs, but also makes housing less affordable to households with reduced incomes.

Lack of affordability. Home prices and rents declined from their peaks as result of the recession. But even so, the number of Bozeman households paying over 30% of their incomes for housing increased substantially during the 2000s—placing 28% of homeowners and 49% of renters in this category. In other words, housing affordability became a more acute problem. The numbers of homeless people and special populations needing affordable housing also increased in recent years.

Needs of homeless people and special populations. The needs study determined that homelessness is on the rise, especially among families. For example, the Haven domestic violence shelter reported a six-fold increase in the total number of shelter nights since 2008. Similar high demand was reported for other special needs categories—such as for people with chronic mental illness and other disabilities. A lack of affordable rental housing is the major contributing factor, but service providers also see a need for more transitional housing with attached services to help residents find employment and otherwise become more self-sufficient. Nonprofit providers see a need for 20 to 35 additional transitional housing units.

Affordable housing price points. The City's affordable needs study indicated a need for more rental housing priced to be affordable to households within incomes at or below 40% of area median income, corresponding to an affordable rent price point of \$600. The study indicated affordability gaps for homebuyers with incomes at or below 65% of area median income, corresponding to an affordable housing price point of \$152,000. Below those income levels, the affordable price points become increasingly lower.

Rental market. A sample survey of low- and moderately-priced apartment properties in January 2011 indicated that average rents for two-bedroom apartments in Bozeman are currently \$738, with average three-bedroom rents much higher, at \$977—considerably higher than the affordable price point of

\$600. Survey data indicates a tightened supply and rising rents especially in the affordable price range—and thus a need for rental construction. During the past seven years, federal subsidies for rental housing have been available to Bozeman rental housing developers but not used due to a severe drop in demand during the recession. By the end of 2011, demand for subsidized and unsubsidized rentals was once again very strong, as indicated by an overall vacancy rate of 2%. A vacancy rate of 5% is considered a healthy balance between supply and demand, allowing for normal turnover and profits, while preventing excessive inflation of rents.

Home sales market. The median sale price of all homes sold in Bozeman in 2011—including condominium units—was \$207,000 having peaked in 2006 at \$258,000. In 2011, over 80% of all homes sold were priced above the affordable price point of \$152,000. Homes priced under \$152,000 were subsidized or tended to be older and smaller homes. Distress sales of properties in foreclosure have added to the inventory of for-sale homes and undoubtedly reduced the median sale price, but this trend abated in 2011. Several dozen new or recently built condos were on the market in early 2012 at very affordable prices (\$95,000 to \$130,000)—nearly half of them subsidized. New construction of subsidized homes by nonprofits will not be justified until most of this inventory is sold. Several for-profit builders expect the market for unsubsidized, lower-priced detached homes to accelerate and are offering homes priced in the range of \$120,000 for a 760-square-foot two-bedroom homes up to \$215,000 for a 1,500-square-foot three-bedroom home. This positive trend can be encouraged by ramping up homebuyer counseling and down payment assistance programs—in order to help lower income homebuyers meet today's more stringent underwriting standards.

Reduced construction activity. Due to reduced demand—especially for new homes—and difficulties in obtaining bank financing, housing construction starts were reduced in 2008 through 2011 to levels that are about half that of 2000-2001, and less than a quarter of the starts in 2004 and 2005.

Mobile homes. A survey of selected mobile home parks in Bozeman indicated an average rent of \$530, with only four vacancies out of 106 rental homes surveyed, most of them three-bedroom models. Mobile homes are thus an important source of very affordable rental housing, as well as affordable home ownership. Some mobile home parks located just outside Bozeman are endangered by failing well and septic systems. Many older mobile homes are in poor condition.

Regulations Affecting Affordable Housing

Due to the substantial decline in residential construction, the drop in home prices, and concerns with technical complexities as well as administrative costs, Bozeman's Workforce Housing Ordinance dating from 2007 was suspended for one year in September 2011, having resulted in no production of affordably-priced homes.

Selected homebuilders who were interviewed pointed to Bozeman’s impact fees as a major factor in the costs of constructing homes. The fees average about \$11,000 per home. The Workforce Housing Ordinance had provisions for full or partial reimbursement or deferral of these fees for income-restricted and price-restricted homes, but no such provisions are now in effect.

Concerns were also expressed about newer subdivisions that include “restricted-size lots” or “RSLs” — lots sized less than 5,000 square feet that were intended to encourage the construction of smaller homes that would remain relatively more affordable. The requirements for including RSLs in new subdivisions are no longer in effect, but apply to approximately 14 approved subdivisions. Several builders stated that it is difficult, given current market conditions, to sell smaller, low-cost homes on small lots, and the dispersal of these small lots throughout subdivisions makes it more difficult to market higher-priced homes. But other builders welcomed the opportunity to build smaller houses on small lots and expressed a desire that these be allowed—even if not required—in new subdivisions.

In public comments, some advocates of affordable housing expressed views that City ordinances permitting accessory dwellings, cooperative housing, group homes should be more flexible.

Affordable Housing Programs in Bozeman

This plan recognizes that private, for-profit builders and landlords are the primary providers of housing, offering homes and rental units over a broad range of pricing—including homes affordable to low-income households. Some of the action items in this plan are intended on encouraging private-market activity to provide more housing at the low end of the price spectrum. But more of the action items are focused on specific housing programs and financing sources that can reduce rents and homeowner housing payments to levels that are below market rates.

Following is a brief summary of the cumulative results of years of efforts by nonprofits and for-profits using special financing to produce below-market-rate housing in Bozeman. See Appendix A for details of these results from the inception of programs to date.

HRDC is a major provider of affordable housing and related services in Bozeman. It provides pre-purchase counseling to lower-income homebuyers and recently built 36 of the affordable condos referred to above. Habitat for Humanity has built 61 affordable homes countywide since its inception. HRDC, Family Promise, Haven and other organizations currently operate 49 emergency shelter beds, along with facilities and rent subsidies for 67 families and individuals in transitional and supportive housing.

No affordable, subsidized rental housing has been built in Bozeman since 2005, to add to the current stock of 368 apartments for low-income families and 161 apartments for low-income seniors. Federal rent subsidies are provided to 273 very low income households and individuals.

Part 2: Affordable Housing Strategies and Action Items

Strategy 1: Increase and Preserve the Supply of Affordable Housing

Strategies	Action Items
1.1. Build affordable, income-restricted for-sale housing (nonprofits)	<p><u>Goal</u>: Over five years, build 25 newly constructed, energy efficient affordable homes, targeting households with incomes from 40% to 80% of area median income (AMI).</p> <p><u>Implementers</u>: HRDC and possibly Habitat for Humanity</p> <p><u>Considerations</u>: Construction projects will begin only when market demand for detached homes or condos are clearly indicated by market-rate sales and effective demand shown by homebuyer assistance program (see 1.3 below).</p>
1.2. Build and sell “low market-rate” homes (for-profits)	<p><u>Goal</u>: Amend City regulations and impact fee structure to encourage construction of energy-efficient homes priced to be affordable to homebuyers with incomes of 60% to 100% of AMI. See Strategies 2.2 to 2.5 below.</p> <p><u>Implementers</u>: City and Homebuilders</p> <p><u>Considerations</u>: To overcome demand-side challenges that currently limit sales, homebuilders and homebuyer assistance program (see 1c) should cooperate.</p>
1.3. Increase homebuyer assistance to solve demand-side challenges	<p><u>Goal</u>: Over five years, provide homebuyer education and counseling to 750 prospective buyers with incomes from 40% to 100% of AMI—to assist in obtaining home loans.</p> <p><u>Goal</u>: Over five years, provide 100 buyers with incomes up to 80% of AMI with “soft second” mortgages for home purchases. Over five years, help enable 50 buyers with incomes over 80% of AMI buy homes with counseling only.</p> <p><u>Implementer</u>: HRDC</p> <p><u>Considerations</u>: Expansion of efforts is subject to funding availability. Efforts will be made to overcome restrictions on first mortgage financing for condos.</p>

1.4. Build rental housing with below-market rate rents	<p><u>Goal:</u> Over five years, build and rent 200 multifamily units using the federal Low-Income Tax Credit (LIHTC) and other federal subsidies to make rents affordable to households with incomes from 30% to 60% of AMI. The City will encourage and support projects that meet the City’s criteria for quality and affordability. Encourage the inclusion of supportive housing units where feasible.</p> <p><u>Implementers:</u> For-profit and potentially nonprofit developers.</p> <p><u>Considerations:</u> Developers should seek federal HOME and CDBG subsidies, as well as assistance from the City’s Workforce Housing Fund, to make some units affordable at 30% and 40% AMI. The City will use the evaluation criteria in Appendix B to determine whether to endorse applications for LIHTC, HOME and CDBG and to provide assistance from Workforce Housing Fund.</p>
1.5. Provide more housing for people with special needs	<p><u>Goal:</u> Over five years, create access to at least 10 “transition in place” opportunities. Open Amos House creating 16 additional units for single adult males and females. Construct at least 9 other transitional units suitable for families. HRDC’s warming center will continue to operate in the winters.</p> <p><u>Goal:</u> Rehabilitate or replace existing 13 emergency shelter beds for domestic violence and increase total beds by no fewer than three.</p> <p><u>Goal:</u> Replace 16 units of Behavioral Health Supportive Housing, increase behavioral health units by three.</p> <p><u>Implementers:</u> Haven, Family Promise, HRDC, WMMHC, REACH.</p> <p><u>Considerations:</u> Collaborative efforts between service providers, including funding applications and development projects, should be utilized for transitional housing. “Transition-in-place” models that don’t require the construction of new units should be pursued. Where possible, inclusion of transitional units should be integrated into LIHTC rental projects.</p>

1.6 Repair existing affordable homes	<p><u>Goal:</u> Over five years, finance complete repairs of 25 homes in older, substandard Bozeman neighborhoods for owners with incomes at or below 50% of AMI, using deferred payment and forgivable loans.</p> <p><u>Goal:</u> Over five years, finance emergency repairs of 25 homes and mobile homes that are not feasible for complete repairs. To include repairs of emergency conditions of roofs, heating systems, wiring, plumbing, etc.</p> <p><u>Goal:</u> Weatherize 400 homes occupied by low-income owners and renters.</p> <p><u>Implementers:</u> HRDC for all activities; Rotary Club for some of the emergency repairs.</p> <p><u>Considerations:</u> To be fully implemented, these goals require that federal funds, or program income from federal grants, be obtained.</p>
1.7 Encourage energy-efficient residential construction and retrofits	<p><u>Goal:</u> Apply the newly adopted Green Building/Renovation Guidelines (see Appendix C) to all affordable housing construction and renovation work supported by the City and incorporate in the action items in this plan.</p> <p><u>Goal:</u> Before the end of 2014, review the costs, benefits and implementation considerations of these criteria, for possible amendments.</p> <p><u>Implementers:</u> City and housing providers assisted by the City</p> <p><u>Considerations:</u> The guidelines would not apply to any new housing construction or renovations, except those supported by the City.</p>

Strategy 2: Consider Amendments to City Regulations

Strategies	Action Items
2.1. Continue the suspension of inclusionary zoning	<p><u>Goal</u>: Maintain the suspension of the Workforce Housing Ordinance until such time as the housing market has recovered from the current recession.</p> <p><u>Considerations</u>: Use the criteria in Appendix D to determine when, whether and how to re-instate inclusionary zoning requirements. If reinstated, the requirements should be made clearer and economically feasible for land developers and builders.</p>
2.2 Defer or subsidize impact fees for affordable housing construction	<p><u>Goal</u>: With input from the public and a special committee evaluating impact fees more generally, Planning Department staff will draft a policy for the City Commission's consideration for deferring or subsidizing impact fees upon receipt of proof that a home was sold to a household with an income at or below 50% of area median income. Or alternatively, the City or its delegate will provide a deferred payment 2nd mortgage subsidy to the buyer equal to or exceeding the cost of the impact fee.</p> <p><u>Considerations</u>: Subsidizing the buyer rather than the builder may prove to be the simplest method of eliminating the cost of the impact fees while also needs-testing and means-testing the buyer and assuring eventual repayment. See Strategy 1.3 above regarding this mechanism. The needs study indicated that the group of buyers most in need of reduced home costs have incomes at or below 50% of AMI.</p>
2.3 Allow the creation of smaller lots with more flexible dimensional standards	<p><u>Goal</u>: Based on input received through the affordable housing needs study process, Planning Department staff will draft ordinance amendments for the City Commission's consideration for allowing, but not requiring, smaller lots in new or amended subdivision plans and rescinding the Restricted Size Lot requirements that are currently suspended.</p> <p><u>Considerations</u>: Input received in the needs study process confirmed the development and marketing challenges that resulted from requirements, now suspended, that mandated some smaller sized lots. Yet, some builders want to build and market lower-priced homes on smaller lots.</p>

2.4 Consider more flexible requirements for re-platting subdivisions	<p>Goal: The City Commission should consider whether to change existing policy to allow subdivisions with “restricted-size lots” to be re-platted administratively through the exemption process. The existing policy requires subdivisions with RSLs to replat only through a preliminary plat process, which requires public review and hearings before the Planning Board and the City Commission.</p> <p><u>Considerations:</u> The City already allows for administrative approval of amended plats, exercising what limited flexibility the City has under state law. Amending a plat administratively is substantially less costly and time consuming for developers than starting over through the preliminary plat process. However, the City Commission has not, to date, waived these full review requirements if a subdivision contains “restricted-size lots” (RSLs). Some developers contend that RSLs make the entire subdivision less marketable. They are also concerned with the current costs to remove the RSLs, especially given the lingering real estate recession and insufficient profits to fund a full re-platting process.</p>
2.5 Review ordinance requirements for accessory dwelling units	<p>Goal: Planning Department staff will review the current ordinance requirements for permitting construction or adaptive reuse that results in an accessory dwelling unit. Staff will recommend either no changes or ordinance amendments to clarify where and under what conditions accessory dwelling units are allowed.</p> <p><u>Considerations:</u> Several participants in the housing needs study process indicated support of a liberal permitting process with regard to accessory dwelling units as a means of expanding affordable housing opportunities.</p>
2.6 Clarify zoning status of group homes	<p>Goal: Planning Department staff will study current zoning requirements for group homes and possibly propose appropriate amendments to clarify where, under what conditions, and through what process new group homes are allowed.</p> <p><u>Considerations:</u> Concerns about lack of clarity were raised by a supportive housing provider during the needs study process.</p>

2.7 Study possible ordinance changes to encourage preservation of mobile home parks	<p><u>Goal:</u> Planning Department staff will review the current ordinance requirements that relate to mobile home park uses, including policies for annexation of existing parks. Staff will recommend either no changes or amendments that would tend to reduce the incentives for converting existing parks to other uses – such as a special zoning district.</p> <p><u>Considerations:</u> Affordable housing advocates are concerned about possible future losses of affordable housing in mobile home parks due to conversion of the land to other uses.</p>
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Strategy 3: Assure Financial and Organizational Capacity

Strategies	Action Items
3.1 Maximize Bozeman's access to federal funding and private grants for affordable housing	<p><u>Goal</u>: Local and regional nonprofit housing organizations will collectively maximize their efforts to obtain the federal and private grants needed to achieve the housing production and related goals in this plan.</p> <p><u>Goal</u>: By offering incentives and support letters, the City will encourage developers to seek allocations of the Low Income Housing Tax Credit (LIHTC) in order to produce below-market-rate rental housing.</p> <p><u>Considerations</u>: The primary federal sources are managed by the state of Montana: Community Development Block Grants and the HOME Program. The Affordable Housing Needs Study indicated that these programs as well as the LIHTC program have been underutilized in recent years.</p>
3.2 Make efficient use of the City's Workforce Housing Fund	<p><u>Goal</u>: The City's Workforce Housing Fund will be used, sparingly, to provide last-resort gap funding for affordable housing activities that help meet the goals of this plan.</p> <p><u>Considerations</u>: In April, 2012, the balance remaining in the fund was \$ _____. See Appendix B for the requirements to be used to award these funds.</p>
3.3 Build the capacity of local nonprofit housing organizations	<p><u>Goal</u>: Increase access to technical assistance for affordable housing providers in the areas of program development, housing development, fundraising, grant-writing and subsidy layering. Identify third-party funding sources and/or direct City support for these activities. . See Appendix D for specific capacity-building goals for the 6 primary local organizations that produce and manage affordable housing.</p> <p><u>Considerations</u>: Technical assistance can help maximize existing services and bring new resources into the community. This is particularly important for organizations that are experts at providing very specialized services but may not have extensive experience with housing construction and the myriad funding sources available.</p>

Strategy 4: Share Crucial Market Data and Report on Progress

Strategies	Action Items
4.1 Follow new protocols for updating income and price targets	<p><u>Goal:</u> City Planning Department Staff or its delegate will annually update a Schedule of Affordable Housing Rents and Home Prices. This will include tiers of rents and sale prices affordable to low- and moderate-income Bozeman households at corresponding income levels.</p> <p><u>Considerations:</u> A spreadsheet tool has been provided to the Planning Department to update affordability calculations based on changes in interest rates, area median income (as calculated by HUD), and the prevailing rents and sale prices at the low end of the unsubsidized housing market. The goals are: (1) to establish the income tiers that have affordability gaps and need subsidies (and how much subsidy generally) and (2) to encourage the development of lower-priced housing that doesn't require subsidies.</p>
4.2 Obtain and share current rental market data	<p><u>Goal:</u> Annually, the City Planning Department in cooperation with local housing industry organizations, will conduct a survey of rental housing. This will identify the prevailing rent levels and shortages indicated by low vacancy rates.</p> <p><u>Considerations:</u> While many cities benefit from rental housing surveys conducted by state or local government—or industry organizations—Bozeman does not. This makes it difficult for private sector developers to determine what types of rental housing, at what rent levels, are needed. Thus, the knowledge gap can be a deterrent to needed housing production—both subsidized and unsubsidized.</p>
4.3 Publish an annual report on Action Plan progress versus goals	<p><u>Goal:</u> Publish a report in February of each year, 2013 through 2017, indicating progress in relation to the goals in this report. See Appendix A for goals for specific housing production and related outcomes that will serve as a benchmark for tracking progress year-by-year.</p> <p><u>Considerations:</u> The recently completed Affordable Housing Needs study provided the historical baseline data on production and other related outcomes of “intentional” affordable housing programs. Nonprofits manage many of these programs. For-profit developers participate in some federal programs. Appendix A combines this baseline data with goals for the next five years.</p>

4.4 Complete a new needs study and housing plan in 2016	<u>Goal:</u> Subject to funding availability, the City endorses a goal to complete and adopt a new affordable housing needs study and plan by the end of 2016.
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Appendix A - Affordable Housing Results and Five-Year Goals

Affordable Housing Activities	Sponsor	Service Area	Outcomes Through 2011	2012-2016 Goals
HOMEOWNERSHIP PROGRAMS				
Build and sell new homes	HRDC	City	20	24
Build and sell new homes	Habitat	City	59	4
Acquisition and sales of home	HRDC	City	15	0
Homeowner rehab assistance	HRDC	Tri-County	37	50
Down payment assistance loans	HRDC	Tri-County	104	100
Weatherization of homes, rentals	HRDC	Tri-County	431	350
Weatherization/repairs for homeowners (with volunteers)	Rotary	Bozeman + Belgrade	24	50
Emergency Repairs	HRDC	City	Not avail.	25
Pre-purchase counseling cases	HRDC	Tri-County	1779	750
Foreclosure counseling cases	HRDC	Tri-County	200	200
RENTAL/SPECIAL NEEDS PROGRAMS				
LIHTC rental housing built - seniors	HRDC	City	161	40
LIHTC rental housing built - families	Multiple	City	344	200
Other rental housing built	HRDC	City	24	0
Transitional housing provided	Haven/FP	City	0	9
Transitional housing provided	HRDC	City	2	16
Permanent rental- behavioral health	WMMHC	City	4	?
Transitional - developmental disabilities	REACH	City	16	16 Replace 3 New
Supportive Housing - developmental disabilities	REACH	City	25	?
Emergency shelter/warming center beds	HRDC	City	0	16
Emergency shelter beds - families	Family Promise	City	12	0
Domestic violence shelter beds	Haven	City	13	13 Replace 3 New
OTHER PROGRAMS				
Section 8 rent subsidies	HRDC	City	273	no increase anticipated
Transitional rent subsidies	HRDC/Haven/FP	City	0	10

Appendix B

Requirements for City Support of Affordable Housing Activities

Applicability

These criteria apply to proposals for use of City funds for affordable housing activities and requests for formal City endorsement of projects for the purposes of obtaining federal, state and private grants and tax incentives. All project and program proposals will be reviewed by City staff or their delegates and recommendations made by the Community Affordable Housing Advisory Committee. Final decisions will be made by the City Commission.

Threshold Criteria for Real Estate Development Projects

1. Locations. Projects must be proposed for suitable locations for the intended use. There must be no substantial environmental factors that would adversely affect health and safety. Projects must be within reasonable walking distance of bus routes.
2. Green building/renovation guidelines. The proposed developer must commit to meeting the City's Green Building/Renovation Guidelines for Affordable Housing (see Appendix C).
3. Respond to affordable housing plan goals. The proposed project must address one or more of the affordable housing production or preservation goals in this plan and address targeted income groups, unless the Community Affordable Housing Advisory Board grants an exception after a thorough review of the proposal.

Evaluation Criteria

To provide funding or a letter of support for a project, the City must receive and evaluate the following data.

1. Market data. This will consist of credible and detailed market data, waiting list data or other information indicating demand for the proposed housing or services.
2. Project financial data. This will consist of a detail project development budget showing all proposed sources and uses of capital financing. If the project will provide rental or supportive housing, an operating budget forecasting revenues and expenses over at least 10 years must be provided. For projects in which supportive services are crucial, the operating budget must include forecasts of proposed revenue and forecast expenses for these services.
3. Capacity of project or program team. The project's proposer must identify all key firms and individuals involved in the project or program and provide resumes and corporate qualifications indicating their capacity to carry out the program. Exceptions to this requirement may be made by City staff for proposers who have successfully operated similar programs or developed similar projects previously in Bozeman. For a new program, resumes must be provided for the organization's chief executive and the program manager. For development projects, resumes or corporate qualifications statements must be provided for the developer, the individual proposed as project manager, architect, and building contractor.

Funding Criteria

Funding from the Workforce Housing Fund or other City sources may be provided, at the City's sole discretion and with the recommendation of the CAHAB, for the following activities. Each year, the City and CAHAB will solicit concept proposals from housing programs and housing developers. Based on that information and the Affordable Housing Plan goals, the City and CAHAB will create a preliminary budget for use of City affordable housing funds over the following 12 months. Subsequently, the City will issue a request for proposals for:

1. Rental projects serving extremely low-income renters and special needs clients, only for up to four dwelling units per project, which will be restricted to renters/clients with incomes at or below 30% of area median income, and only when either a federal HOME, CDBG and/or other available federal and private grants have been applied for and committed and a feasibility gap remains. Funding may not exceed the amount of the feasibility gap, or \$20,000 per unit, whichever is less. Projects must have a minimum 30-year affordability period.
2. Home purchase assistance funding of up to \$10,000 per homebuyer, restricted to buyers with incomes at or below 65% of area median income, only if it is demonstrated that CDBG and HOME funds from the state of Montana are insufficient for this activity. The income target may be adjusted upwards if home prices rise. Funds may be combined with HOME and CDBG funds in a single loan or grant to a homeowner, if necessary to make the home purchase affordable.
3. Pre-purchase counseling program funding of up to \$40,000 per year, only if it is demonstrated that federal funds are insufficient for this activity. Funding will be based on specific annual goals for completions of prepurchase counseling, homebuyer education and foreclosure counseling.
4. Emergency housing repairs by volunteer groups for up to \$1,000 per home in materials costs. To be provided only to public service organizations that leverage this funding at least 2 to 1 with donated labor and materials.
5. Other emergency housing repairs costing up to \$7,500 per home (including mobile homes) for repairs or replacements of roofs, HVAC systems, plumbing, wiring etc., only if it is demonstrated that CDBG funds are unavailable for this activity.
6. Coordination of CAHAB and housing plan monitoring activities may receive funding of up to \$50,000 per year.

Reporting Requirements

Organizations that receive City funding for affordable housing projects or program will be required to report on results versus program/project goals by the end of January of each year, for activities in the previous year and one month after the end of the funding period or occupancy of the affordable housing. This requirement applies to programs funded for one calendar year, multiple calendar years, or parts of multiple calendar years.

Appendix C

Green Building & Renovation Guidelines for Affordable Housing

Applicability

The following are guidelines recommended for use in all affordable housing and are requirements for affordable housing that receives City funding or formal endorsement by the City for the purposes of seeking funding or tax incentives.

New Residential Structures

In addition to meeting the requirements of the Montana Residential Building Energy Code, homes must incorporate the following water conservation and “healthy housing” features:

1. Reduce energy consumption by installing only EnergyStar light fixtures, appliances and equipment. These are to include:

- All indoor and outdoor light fixtures
- Kitchen stoves and refrigerators
- Dishwashers
- Clothes washers and dryers
- HVAC systems

Also install high-efficiency or on-demand water heaters.

2. Conserve water and reduce energy consumption from water heating by installing only the following:

- Showerheads — 2.0 gpm (gallons per minute) or less
- Kitchen faucets — 2.0 gpm or less
- Bathroom faucets — 1.5 gpm or less

3. Assure good indoor air quality by incorporating the following measures:

- Provide local mechanical exhaust ventilation to the outdoors in each bathroom and kitchen, meeting ASHRAE 62.2 section 5 requirements. In addition, all bathroom ventilation fans shall be ENERGY STAR qualified unless multiple bathrooms are exhausted with a multi-port fan.
- Conventional clothes dryers shall be vented to the outdoors. Electric condensing dryers are not vented and shall be plumbed to a drain according to the manufacturer’s instructions.

Renovations

1. Prior to designing renovations, an energy audit should be completed by a qualified professional. The audit should identify all improvements that individually are estimated to produce energy savings over 10 years that exceed the costs of the improvements (i.e. a 10 year simple payback). This does not apply to emergency repairs. Typical energy retrofits will include:
 - a. Increased attic insulation if less than 6 inches is in place.
 - b. Caulking and weather-stripping to reduce heat losses through windows, doors, exterior walls, and the uppermost ceilings. This will include electrical outlet gaskets on exterior walls.
 - c. Replacement windows or added storm windows to reduce infiltration and increase the R-value of window openings.
 - d. Replacement of incandescent light bulbs with more efficient products.
 - e. Insulating jackets installed on water heaters.
 - f. Replacement of older HVAC equipment that has reached the end of its useful life.
2. The improvements indicated by the audit should be incorporated in the rehab design to the extent feasible and if cost estimates for individual improvements do not indicate a pay-back period of 10 years or less. This guideline does not apply to emergency repairs.
3. Any replacement equipment and fixtures should meet requirements 1, 2 and 3 under New Residential Structures, as applicable for replacements.
4. Any newly constructed or completely reconstructed areas of the home must meet the requirements of the Montana Residential Building Energy Code, to the extent feasible.

Appendix D

Criteria for Reconsideration of Inclusionary Zoning

The City's Workforce Housing Ordinance spelling out requirements for inclusion of affordable housing in certain newly-approved residential subdivisions is currently suspended. Following are: (1) "market triggers" to be used to determine the timing of possible reinstatement of the ordinance, and (2) if reinstated, what criteria would be used to amend the ordinance so that it would be more effective in producing affordable housing and simpler to administer.

Market Condition Triggers for Reconsideration

The following improvements in residential construction and sales market conditions must have occurred for the ordinance to be reconsidered.

1. Median sale prices for all types of homes sold must have increased to at least \$228,000 (adjusted for inflation) at the end of a calendar year (measured by a previous 12-month period) from the baseline of \$207,000 at the end of 2011—an approximately 10% increase. For 2012 and subsequent years, the benchmark median sale price of \$228,000 will be increased by cumulative increases after December 31, 2011 based on the multi-year US consumer price index report published by the U.S. Bureau of Labor Statistics.
2. The number of new building permits issued for one-family homes must have increased to at least 300 at the end of a calendar year, for the previous 12 months. This compares to a baseline of 156 permits for one-family dwellings in Bozeman during 2011.

Criteria for Possible Amendment and Reinstatement of the Ordinance

Any amended ordinance drafted for consideration by the City Council must include these features, the intent of which is to simplify compliance, minimize discretionary decisions on the part of the City and thereby make the requirements uniform and predictable for all residential developers.

1. A concise and easily calculated formula for determining the percentage of affordable homes that must be provided in a subdivision.
2. Precise schedules of affordable home prices and corresponding maximum incomes of buyers, in at least two tiers of affordability.
3. Clear and concise standards for alternative means of compliance, to the extent allowed. Such alternative means of compliance could include in-lieu payments of cash, land donations, or construction of housing off-site.
4. Clearly defined "offsets" offered by the City, such as fee deferments or density bonuses.
5. No waiver or reduction of parkland requirements that are in force at the time of approval.
6. No restricted lot-size requirements.

Appendix E
Capacity Building Goals for Local Nonprofit Housing Organizations

	Program Development	Real Estate Development	Fund Raising & Financing	Grant-writing	Subsidy Layering
Organization					
Family Promise	X	X	X	X	X
Haven	X	X	X	X	X
Habitat	X	X	X	X	X
HRDC	X	X			
REACH - TBD					
WMMHC – N/A					

Explanation of Capacity-Building Needs

Family Promise	With a desire to create new program such as a security deposit loan pool, Family Promise could benefit from program development assistance as well as fund raising and grant-writing assistance. With the goal of creating future transitional development projects, subsidy layering and real estate development may also be important areas of technical assistance.
Haven	With the five-year goal of rehabilitating or replacing their current facility, as well as contributing to the overall increase in transitional units, Haven has expressed a need for technical assistance in all categories. Specifically, the need for assistance with a capital campaign, the organization's first, as well as assistance with housing development and subsidy layering as it relates to the creation of transitional units.
Habitat	With a desire to expand current housing services to include the development of affordable rental, Habitat for Humanity would benefit from technical assistance in the areas of program development, real estate development, subsidy layering and grant-writing, all critical components for successful rental housing projects.
HRDC	Due to this being a relatively new program—and due to the challenges in the current real estate market—the Road to Home program could directly benefit from program development assistance. Areas of particular importance are program marketing to potential homebuyers, internal marketing and program integration with HRDC rental programs and the further development of their services targeting existing homes on the open market.
REACH	To be determined.
WMMHC	With no immediate plans for stand-alone projects in the Bozeman area and a well-developed programmatic approach and organizational infrastructure, WMMHC does not appear to need technical assistance at this time. That said, their extensive experience with housing development, and novel approaches to subsidy layering and the creation of permanently affordable rental units for special needs, they are uniquely positioned to provide technical assistance to other local housing providers.